

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6104

BILL NUMBER: HB 1170

DATE PREPARED: May 1, 2001

BILL AMENDED: Apr 29, 2001

SUBJECT: Staggered Motor Vehicle Registration Dates.

FISCAL ANALYST: James Sperlik

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FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: (CCR Amended) This bill: 1) revises the schedule for registration of motor vehicles on a staggered basis throughout the year; 2) provides that a driver's license or permit and a state identification card must bear a photograph or a computerized image of the bearer; 3) provides that an individual may apply for renewal of several types of licenses by mail or electronic service under certain circumstances; 4) establishes the State Motor Vehicle Technology Fund. It provides for an increase of \$0.50 for service charges from various Bureau of Motor Vehicle transactions during 2002 and 2003 and provides that the additional \$0.50 be allocated to the Fund and appropriates money in the Fund; It adds language to allow administratively imposed service fees to be deposited in the State Motor Vehicle Technology Fund. 5) allows for cross-county vehicle registration in any year; 6) makes various other changes to the administration of the Bureau of Motor Vehicles; 7) extends indefinitely the use of education license plate fees for the administration of the school intervention and career counseling development program. (Current law provides that the fee allocation expires December 31, 2000); 8) sets a fee for a special weight permit.

Effective Date: (CCR Amended) January 1, 2001, July 1, 2001; January 1, 2002; January 1, 2003.

Explanation of State Expenditures: (Revised) *1) The bill revises the schedule for registration of motor vehicles on a staggered basis throughout the year.*

For the Bureau of Motor Vehicles (BMV), there will be costs associated with the implementation of this proposed change in registration schedule of motor vehicles. There will be computer changes estimated at \$21,250. Also, there will be training costs, but these are expected to be minimal. The fund affected is the Motor Vehicle Highway Account which supports the BMV.

Staggering of vehicle registration dates will have the effect of redistributing peak customer volume for registration from nine times per year to 18 times per year, in effect halving the customer volume for vehicle registration at certain times of the year. Although the ultimate impact on staffing levels is not known, this provision will redistribute the workload and, potentially, affect the staffing requirements in some license

The fund affected is the Motor Vehicle Highway Account.

3) *An individual may apply for renewal of several types of licenses by mail or electronic service under certain circumstances.*

(The estimated fiscal impact for both number 2 and 3 appear below.)

For the BMV, there will be start-up costs estimated at \$245,500 and annual on-going costs of about \$248,000. These costs consist of the following:

Start-up Costs:

1) Computer changes from:	
outside vendors:	\$200,000
in-house:	37,500
2) Equipment for additional personnel:	<u>8,000</u>
Total Start-up Costs:	\$245,500

Annual On-going costs:

1) Additional personnel: 4 Clerks	\$106,992
2) Mailing costs:	<u>141,380</u>
Total On-going Costs:	\$248,372

The fund affected is the Motor Vehicle Highway Account.

The funds and resources required above could be supplied through a variety of sources, including the following: (1) Existing staff and resources not currently being used to capacity; (2) Existing staff and resources currently being used in another program; (3) Authorized, but vacant, staff positions, including those positions that would need to be reclassified [The BMV reported that the budget submitted for the 2001-2003 biennium has 70 vacant positions, with 26 of these positions funded]; (4) Funds that, otherwise, would be reverted [The BMV reverted \$2.9 M for FY 2000]; or (5) New appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

Background: Currently, identification (ID) cards expire at the end of the month of birth. The BMV will need to change the file layout for the expiration date. In 1999, 1,211,827 Operator/Chauffeur/PP Chauffeur/IDs were issued. It is assumed for estimating purposes that one-third will renew by mail (403,942). The cost for postage and envelopes is estimated at \$.35. (403,642 x \$.35 = \$141,379.70). The mailing costs consist of mailing the license to the individual. The equipment costs include PCS and are estimated at \$2,000 per employee. The additional personnel are estimated to cost \$26,748 each, or \$106,992. This represents a new effort for the BMV.

4) *Establishment of the State Motor Vehicle Technology Fund.* It provides for an increase of \$0.50 for service charges from various Bureau of Motor Vehicle transactions during 2002 and 2003 and provides that the additional \$0.50 be allocated to the Fund and appropriates money in the Fund. It also adds language to allow

administratively imposed service fees to be deposited in the Fund.

For the BMV, there will be start-up costs estimated at approximately \$51,000, consisting of new manuals, fee charts, and computer changes. The fund affected is the Motor Vehicle Highway Account.

5) Cross-county vehicle registration in any year.

The specific fiscal impact will depend upon the extent to which customers of the Bureau of Motor Vehicles (BMV) utilize the new option contained in this bill. Under the assumptions described below, the annual net costs are estimated to be \$19,000 during sticker years and \$95,000 in plate years. First year start-up costs are estimated to be \$90,500.

Background: Currently, customers are able to renew license plates (stickers only) at any self-service terminal in the state, except in plate years when the customer would be issued a new license plate by the BMV. It is assumed in this analysis that any customer who renews a license plate in a different county will receive a temporary plate. The county-designated license plate will be issued and mailed from a central office in Marion county. Temporary license plates cost \$.47 each. Mailing costs for one plate are assumed to be \$1.22 with mailing charges of \$1.50 per plate.

The fiscal impact is based on an initial order of 150,000 temporary plates, with 100,000 additional temporary plates each sticker year and 500,000 in a plate year (which occurs every five years). The next plate year is 2003. The estimated fiscal impact of this proposal is described in the tables below:

<u>Start-Up Costs</u>		
Computer Changes In-House		\$20,000
<u>Temporary Plates</u>		<u>\$70,500</u>
Total		\$90,500

<u>Annual On-Going Costs</u>	<u>Sticker Years</u>	<u>Plate Years</u>
Temporary Plates	\$47,000	\$235,000
Mailing	\$122,000	\$610,000
<u>Mailing Charges</u>	<u>(\$150,000)</u>	<u>(\$750,000)</u>
Total	\$19,000	\$95,000

IC 9-29-3-19 allows the BMV to adopt rules to impose or change service charges. Also, IAC 8-3-2 provides authority for the BMV to charge for the mailing or processing of a license plate registration form in the amount of \$1.50 per plate. Any mailing costs associated with this proposal is assumed to be an item for which the BMV could charge.

6) Other changes to the administration of the Bureau of Motor Vehicles.

The various administrative changes contained in this part have no fiscal impact.

Explanation of State Revenues: (Revised) *1) Registration of motor vehicles on a staggered basis throughout the year.*

The provision that the registration fees remain the same with no reduction for any partial calendar month will keep revenue collections neutral. Even though some of the registration fees will be collected two weeks earlier due to the staggered registration schedules, these fees are deposited in the Motor Vehicle Highway Account and are not subject to interest earnings.

5) Establishment of the State Motor Vehicle Technology Fund. This provision provides for an increase of \$0.50 for service charges from various Bureau of Motor Vehicle transactions during 2002 and 2003 and provides that the additional \$0.50 be allocated to the Fund.

Annual additional revenues from the \$0.50 fee are estimated at approximately \$5.1 M during 2002 and 2003. These revenues will be deposited in the State Motor Vehicle Technology Fund. The \$0.50 fee applies to most license branch transactions. The revenue can be used to acquire computer equipment and software, telephone equipment and software, electronic queue systems, technology services, and other related devices, subject to the approval of the Budget Agency. The bill also allows administratively imposed fees to be deposited in the Fund. The Bureau of Motor Vehicles Commission at its April 2001 meeting increased most service fees by an average of \$3. This action will generate an estimated \$31 M annually. This new revenue can be deposited in the Motor Vehicle Technology Fund.

7) Extends indefinitely the use of education license plate fees for the administration of the school intervention and career counseling development program. (Current law provides that the fee allocation expires December 31, 2000.

Currently, 25% of the fees collected from the sale of education license plates are allocated to the Superintendent of Public Instruction and 75% are allocated for the benefit of school corporations. Under current law, beginning January 1, 2002, the Superintendent of Public Instruction would receive no revenue from the sale of the education license plate. However, this bill provides that the Superintendent's share will remain at 25%. The specific impact will depend upon the number of education license plates sold. In CY 2000, 26,881 plates Education plates were sold, generating revenue of \$672,025. The 25% share would amount to \$168,006 per year.

8) Sets a fee for a special weight permit.

This bill also reduces the current price for Special Weight permit from \$42.50 to \$41.50. The Department of Revenue, which issues the permits, reports that in FY 1999, 83,000 permits were issued and in FY 2000, 84,000 permits were issued. For FY 2001, it is estimated that approximately 75,000 permits will be issued. Based on the three-year average, the annual revenue loss for the \$1 reduction in the permit fee is estimated at \$81,000. The fund affected is the Motor Vehicle Highway Account.

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) *1) Registration of motor vehicles on a staggered basis throughout the year.*

Motor Vehicle Excise Tax collections are electronically transferred to each county twice a week by the BMV. This money is normally invested by the county when it is received. Distributions by the county to local

units of government are made twice each year, in June and December. If a portion of the Excise Tax payments are collected earlier, counties could earn an additional two weeks of interest income on those payments. Branch collections of Motor Vehicle Excise Tax totaled \$362.0 M in CY 1999. If half of the \$362.0 M were collected two weeks earlier and invested (at 5.65%, the average return for state investments), additional interest income to the counties would total about \$390,000.

(Total Excise Tax proceeds, including state distributions, amounted to \$601.6 M in 1999).

7) Extends indefinitely the use of education license plate fees for the administration of the school intervention and career counseling development program. (Current law provides that the fee allocation expires December 31, 2000.

Under current statute, school corporations were to receive, beginning January 1, 2002, 100% of the revenue generated by the sale of education license plates, as compared to the 75% they currently receive. However, under this bill, the school share will remain at 75%. The specific impact will depend upon the number of education license plates sold. In CY 2000, 26,881 Education plates were sold, generating revenue of \$672,025. The 75% share would amount to \$504,019 per year.

State Agencies Affected: Bureau of Motor Vehicles; Department of Revenue; Department of Transportation and the State Police as recipients of Motor Vehicle Highway Account distributions.

Local Agencies Affected: School Corporations; Recipients of Motor Vehicle Highway Account distributions.

Information Sources: Melanie Schwartz, BMV Deputy Commissioner and Director of Vehicle Services, 233-1218; Jane Morrical, Director of Treasury for the BMV, 232-2822; Linda Risley, Department of Revenue, Motor Carrier Services Division, 615-7205.